

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

FOR THE
AZ CORP COMM DIVISION
DOCKET CONTROL

2012 NOV 28 AM 9 17

DATE: November 28, 2012

RE: STAFF REPORT FOR RANCHO DEL CONEJO COMMUNITY WATER CO-OP,
INC.'S APPLICATION FOR A PERMANENT RATE INCREASE
(DOCKET NO. W-02102B-12-0286)

Attached is the Staff Report for Rancho Del Conejo Community Water Co-op, Inc.'s application for a permanent rate increase. Staff recommends approval of a rate increase in accordance with Staff's recommendations.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before December 10, 2012.

SMO:CSB:tdp

Originator: Crystal Brown

Attachment: Original and sixteen copies

Arizona Corporation Commission
DOCKETED

NOV 29 2012



Service List for: RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC.
Docket No. W-02102B-12-0286

Mr. Albert Lannon, Vice President
Rancho Del Conejo Community Coop, Inc.
13130 West Rudasill Road
Tucson, Arizona 85743

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC.
DOCKET NO. W-02102B-12-0286**

**APPLICATION
FOR
A PERMANENT RATE INCREASE**

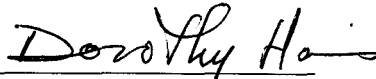
NOVEMBER 28, 2012

STAFF ACKNOWLEDGMENT

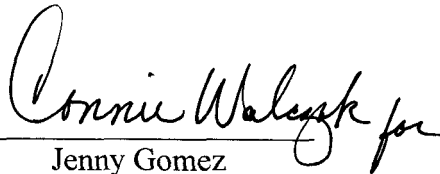
The Staff Report for Rancho Del Conejo Community Water Community Co-op, Inc. ("Company"), Docket No. W-02102B-12-0286, was the responsibility of the Staff members listed below. Crystal Brown was responsible for the review and analysis of the Company's application for a permanent rate increase. Dorothy Hains was responsible for the engineering and technical analysis. Jenny Gomez was responsible for reviewing the Arizona Corporation Commission's ("Commission") records on the Company and reviewing customer complaints filed with the Commission.



Crystal Brown
Public Utilities Analyst V



Dorothy Hains
Utilities Engineer



Jenny Gomez
Consumer Services Analyst I

EXECUTIVE SUMMARY
RANCHO DEL CONEJO COMMUNITY WATER CO-OP, INC.
DOCKET NO. W-02102B-12-0286

Rancho Del Conejo Community Water Co-op, Inc. ("Rancho" or "Company") is a class D member-owned, non-profit corporation that provides potable water service to approximately 322 customers. The Company's service area is located south of Marana in Pima County, Arizona.

Rancho proposed a \$95,361 or a 66.75 percent revenue increase from test year revenue of \$142,853 to \$238,214. The proposed revenue increase would produce an operating income of \$59,692, for a 21.20 percent rate of return on an original cost rate base ("OCRB") of \$281,565. The Company's requested rates would increase the typical residential bill with a median usage of 5,154 gallons from \$25.90 to \$47.71, for an increase of \$21.81, or 84.2 percent.

Staff recommends a \$71,888 or a 50.32 percent revenue increase from test year revenue of \$142,853 to \$214,741. Staff's recommended revenue would produce an operating income of \$21,484, for a 9.35 percent rate of return on a Staff adjusted OCRB of \$229,771. Staff's recommended rates would increase the typical residential bill with a median usage of 5,154 gallons from \$25.90 to \$36.12, for an increase of \$10.22, or 39.4 percent.

Staff's Recommendations

Staff recommends:

1. That the Commission approve the Staff-recommended rates and charges as shown on Schedule CSB-4.
2. That the Company file with Docket Control, as a compliance item in this Docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. (See §K of report for discussion and details.)
4. Staff recommends that the rates approved in this matter not become effective until the month after the Company becomes compliant with the ADWR requirements as described in Item No. 2 of the "Conclusions" section of the attached Engineering Report.

TABLE OF CONTENTS

	<u>PAGE</u>
Fact Sheet.....	1
Metered Rates	1
Customers	2
Summary of Filing	3
Background.....	3
Consumer Services.....	4
Compliance	4
Engineering Analysis and Recommendations	4
Rate Base	4
Plant in Service	4
Accumulated Depreciation.....	5
Working Capital.....	5
Statement of Operating Income	5
Operating Revenue.....	5
Operating Expenses	6
Revenue Requirement.....	7
Rate Design.....	7
Miscellaneous Service Charges	7
Service Line and Meter Installation Charges.....	8
Staff's Recommendations	9

SCHEDULES

Summary of Filing	Schedule CSB-1
Rate Base	Schedule CSB-2
Statement of Operating Income	Schedule CSB-3
Rate Design.....	Schedule CSB-4
Typical Bill Analysis	Schedule CSB-5
Cash Flow Analysis	Schedule CSB-6

ATTACHMENT

Engineering Report	A
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Fact Sheet

Company: Rancho Del Conejo Community Water Co-op, Inc.

CC&N: Decision No. 41164, dated February 23, 1971

Current Rates: Decision Nos. 70311, dated April 24, 2008 (permanent rates), and 71102, dated June 5, 2009 (arsenic surcharge)

Type of Ownership: Arizona non-profit corporation

Location: South of Marana in Pima County

Permanent rate increase application filed: June 29, 2012

Current test year ended: December 31, 2011

Prior test year ended: September 30, 2006

Metered Rates

	Company Current <u>Rates</u>	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
Based on 5/8 x 3/4-inch meter			
Monthly Minimum Charge	\$14.00	\$38.99	\$20.00
Monthly Arsenic Surcharge	\$3.18	Eliminate	Eliminate
Gallons in minimum	0	0	0
Commodity Charge (per 1,000 gallons)			
0 to 3,000 gallons	\$1.40	\$1.40	\$2.50
3,001 to 10,000 gallons	\$2.10	\$2.10	\$4.00
Over 10,000 gallons	\$3.00	\$3.00	\$5.39
Typical residential bill			
(based on median usage of 5,154 gallons)	\$25.90	\$47.71	\$36.12

Customers

Number of customers in prior test year ending September 30, 2006: 322

Average number of customers in the current test year ending December 31, 2011: 306¹

Current test year customers by meter size:

5/8 X 3/4 - inch	292
3/4 - inch	12
1 - inch	1
1 1/2 - inch	0
2 - inch	0
3 - inch	1
4 - inch	0
6 - inch	0

Seasonal customers: N/A

Customer notification for rate application: issued on June 27, 2012²

Number of customer complaints concerning rate application filed: 0

Percentage of complaints to customer base: 0

¹ Per the Company's bill count.

² A copy of the customer notification was filed with the Company's application on June 29, 2012.

Summary of Filing

The test year results as adjusted by Utilities Division Staff ("Staff") show total operating revenues of \$142,853 and an operating loss of \$50,405 for no rate of return on a Staff adjusted original cost rate base ("OCRB") of \$229,771, as shown in Schedule CSB-1.

Rancho Del Conejo Community Water Co-op, Inc. ("Rancho" or "Company") proposed a \$95,361 or a 66.75 percent revenue increase from test year revenue of \$142,853 to \$238,214. The proposed revenue increase would produce an operating income of \$59,692, for a 21.20 percent rate of return on an original cost rate base ("OCRB") of \$281,565. The Company's requested rates would increase the typical residential bill with a median usage of 5,154 gallons from \$25.90 to \$47.71, for an increase of \$21.81, or 84.2 percent, as shown on Schedule CSB-5.

Staff recommends a \$71,888 or a 50.32 percent revenue increase from test year revenue of \$142,853 to \$214,741. Staff's recommended revenue would produce an operating income of \$21,484, for a 9.35 percent rate of return on a Staff adjusted OCRB of \$229,771. Staff's recommended rates would increase the typical residential bill with a median usage of 5,154 gallons from \$25.90 to \$36.12, for an increase of \$10.22, or 39.4 percent, as shown on Schedule CSB-5.

Background

Rancho is a class D member-owned, non-profit corporation that provides potable water service to approximately 306 customers. The Company's service area is located south of Marana in Pima County, Arizona. The current rates and charges were authorized in Decision Nos. 70311, dated April 24, 2008 (permanent rates) and 71102, dated June 5, 2009 (arsenic surcharge).

During the test year ended December 31, 2011, Rancho provided water service to an average of 306³ metered customers, 292 of which are served by 5/8 x 3/4 -inch meters; 12 are served by 3/4 - inch meters; one is served by a 1 – inch meter; and one customer is served by a 3-inch meter.

On June 29, 2012, Rancho filed an application for a permanent rate increase. On July 27, 2012, Staff filed a Letter of Deficiency. On July 18th and August 22nd of 2012, the Company filed amendments to its application. On September 14th, 2012, Staff issued a Letter of Sufficiency.

³ Per the Company's bill count

Consumer Services

Staff reviewed the Commission's records for the period January 1, 2009 to October 9, 2012 and found one billing dispute and one disconnect/termination complaint. All complaints have been resolved and closed.

Compliance

The Utilities Division Compliance Section shows no outstanding compliance issues.

Rancho is current on its property and sales tax payments.

Rancho is in good standing with the Corporations Division of the Commission.

Engineering Analysis and Recommendations

Staff inspected the Company's plant facilities on October 2, 2012. A complete discussion of Staff's technical findings and recommendations and complete description of the water system are provided in the attached Engineering Report.

Rate Base

Staff's adjustments decreased the Company's rate base by \$51,794, from \$281,565 to \$229,771 as shown on Schedule CSB-2, page 1 of 3. Details of Staff's adjustments are discussed below.

Plant in Service

Staff adjustments reduced Plant in Service by \$6,198, from \$1,096,134 to \$1,089,936 as shown on Schedule CSB-2, pages 2 and 3.

Removal of Well No. 1, Not Used and Useful Plant – Regarding the plant associated with Well No. 1, Staff's adjustment "a" removes \$342 from account no. 303, "Land and Land Rights"; Staff's adjustment "b" removes \$3,458 from account no. 307 "Wells and Springs"; and Staff's adjustment "d" removes \$2,398 from account no. 330 "Distribution Reservoirs and Standpipes" as the plant was not used and useful as shown on Schedule CSB-2, Pages 2 and 3. Staff notes that all the plant associated with Well No. 1, except the land, was fully depreciated.

Pump Addition and Retirement – Staff's adjustment "c" capitalizes the cost of a \$9,197 pump that Staff removed from the Repairs and Maintenance account. The Company stated that the related pump retirement was placed into service in 2010 as part of the water treatment plant addition and subsequently went bad in 2011. The Company also stated that the cost of the pump could not be broken out separately and that best estimate for the pump retirement was the cost of the replacement pump. Consequently, since the pump addition and retirement were the same amount, there was no net change to the pump account as shown on Schedule CSB-2, Pages 2 and 3.

Reclassification - Staff adjustments "e" and "f" reclassifies \$4,329 from account no. 340, "Office Furniture and Fixtures" to account no. 340.1 "Computers and Software" due to Staff calculating the ending plant balance starting with the correct ending balance in the last rate case and reflecting plant retirements, and plant additions as identified by Staff and the Company as shown on Schedule CSB-2, Pages 2 and 3.

Accumulated Depreciation

Staff increased accumulated depreciation by \$53,122 from \$549,859 to \$602,981 as shown on Schedule CSB-2, page 3 of 3. Staff calculated the ending balance of accumulated depreciation by utilizing the ending plant balances and accumulated depreciation by plant account in the last rate case (Docket No. W-02102B-07-0273), reflecting plant additions, retirements, and not used and useful plant, as identified by Staff and the Company and applying the Commission-approved depreciation rates.

Working Capital

Rancho did not propose a working capital allowance. Staff's adjustments C and D resulted in a net increase to working capital of \$7,526, from \$0 to \$7,526, as shown on Schedule CSB-2, pages 1 and 6.

Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

Statement of Operating Income

Operating Revenue

Staff concurs with the Company's test year revenue as shown in Schedule CSB-3, page 1 of 3.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net increase of \$14,736, from \$178,522 to \$193,258 as shown on Schedule CSB-3, page 1 of 3. Details of Staff's adjustments are discussed below.

Purchased Power Expense – Adjustment A increases this account by \$2,725, from \$22,922 to \$25,647 as shown on Schedule CSB-3, page 2 of 3. Staff reclassified \$2,725 incurred for purchased power expense from the Office Supplies and Expense account to the Purchased Power Expense account.

Repairs and Maintenance Expense – Adjustment B increases this account by \$19,203, from \$36,689 to \$55,892 as shown on Schedule CSB-3, page 2 of 3. The actual balance of the repairs and maintenance account was \$10,089. The Company made a \$26,600 pro forma adjustment to reflect the annual cost of the media replacement. The Company later updated the cost with a quote that it received from its vendor of \$55,000 (\$82,500 / 1.5 years). Staff reviewed and agreed that the amount was appropriate⁴. Staff also removed and capitalized \$9,197 in costs incurred for the purchase and installation of a pump.

Office Supplies and Expense – Adjustment C decreases this account by \$2,725, from \$9,456 to \$6,731 as shown on Schedule CSB-3, page 2 of 3. Staff reclassified \$2,725 incurred for purchased power expense from the Office Supplies and Expense account to the Purchased Power Expense account.

Water Testing Expense – Adjustment D increases this account by \$1,360, from \$819 to \$2,179 as shown on Schedule CSB-3, page 2 of 3 to reflect Staff's water testing costs estimated in the attached Engineering Report.

Rate Case Expense – Adjustment E increases this account by \$667, from \$0 to \$667 as shown on Schedule CSB-3, page 2 of 3 to reflect \$2,000 in rate case expense normalized using a three year period.

Depreciation Expense – Adjustment F decreases this account by \$6,494, from \$32,762 to \$26,268 as shown on Schedule CSB-3, page 3 of 3. Staff's depreciation expense reflects application of Staff's recommended depreciation rates to Staff's recommended plant balances.

⁴ The Commission, in Decision No. 66400, dated October 14, 2003, treated the replacement cost of arsenic media as an operating expense rather than a capital cost.

Revenue Requirement

Staff recommends total revenue of \$214,741, an increase of \$71,888, or 50.32 percent, over test year revenue of \$142,853. Staff's recommended revenue provides a 9.35 percent rate of return on the Staff recommended OCRB of \$229,771 as shown on Schedule CSB-1. Staff's recommended rates yield a cash flow⁵ of \$12,411, as shown on Schedule CSB-6, line 46.

Staff's total revenue requirement of \$214,741, provides the Company with sufficient cash flow to pay operating expenses (including the \$55,892 annual replacement cost for arsenic media), contingencies, principal and interest on its existing \$266,300 United States Department of Agriculture loan and its \$185,518 Water Infrastructure Finance Authority ("WIFA") loan. Staff's revenue requirement will allow the Company to meet the minimum 1.2 debt service coverage ("DSC") ratio required by WIFA. Cash flow needs and DSC requirements determined the revenue requirement.

Rate Design

Schedule CSB-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

Rancho's proposed rates would increase the typical residential bill, with a median usage of 5,154 gallons, from \$25.90 to \$47.71, for an increase of \$21.81 or 84.2 percent.

Staff's recommended rates would increase the typical residential bill, with a median usage of 5,154 gallons, from \$25.90 to \$36.12, for an increase of \$10.22, or 39.4 percent.

The Company has proposed a bulk water rate per 1,000 gallons of \$4.50. Staff recommends \$5.39, which reflects the third tier of Staff's recommended inverted tiered rate design.

Miscellaneous Service Charges

Establishment Charge - The Company proposes to increase the establishment service charge from \$35 to \$40. The proposed \$40 charge is within the range of establishment charges for similar companies, therefore, Staff recommends approval.

Establishment (After Hours) Charge - The Company proposes to eliminate its current \$40 establishment (after hours) service charge. Staff concurs as Staff is recommending a \$40 After-hours charge that would apply to all services.

⁵ Cash flow = Operating income plus depreciation expense less principal and interest on loans.

Reconnection (Delinquent) After Hours Service Charge - The Company proposes a \$60 reconnection (delinquent) service charge as shown on Schedule CSB-4. Staff agrees that an additional fee for service provided after normal business hours is appropriate when such service is at the customer's request or for the customer's convenience. Such a tariff compensates the utility for additional expenses incurred from providing after-hours service.

Moreover, Staff concludes that it is appropriate to apply an after-hours service charge in addition to the charge for any utility service provided after hours at the customer's request or for the customer's convenience. Therefore, Staff recommends denial of the Company's proposed Reconnection (Delinquent) After Hours charges. Instead of this charge, Staff recommends the creation of a separate \$40 after-hours service charge. For example, under Staff's proposal, a customer would be subject to a \$40 Establishment fee if it is done during normal business hours, but would pay an additional \$40 after-hours fee if the customer requested that the establishment be done after normal business hours.

Meter Re-read (If Correct) - The Company proposes to increase the meter re-read (if correct) service charge from \$15 to \$20. The proposed \$20 charge is within the range of meter re-read charges for similar companies, therefore, Staff recommends approval.

Deposit Interest - The Company currently pays 0.5 percent per month and is proposing to change to the default rate authorized per Rule, R-14-2-403.B.⁶ Staff recommends approval.

Service Line and Meter Installation Charges

Staff has recommended service line and meter installation charges based upon an analysis of costs as discussed in the attached Engineering Report.

Prior Decision Nos. 54631, 53110, 56768, 59881, and the last Decision No. 70311, dated April 24, 2008, allowed the Company to continue a variance from A.A.C. R14-2-405(B)(2) to not refund service line and meter installation charges. Staff recommends the continuance of this variance because it would result in an unfair situation to current customers when new customers will receive a refund of their service line and meter installation charges.

⁶ Pursuant to A.A.C. R14-2-403(B)(3), if an interest rate is not specified by the utility, the interest rate shall be 6% by default.

Staff's Recommendations

Staff recommends:

1. That the Commission approve the Staff-recommended rates and charges as shown on Schedule CSB-4.
2. That the Company file with Docket Control, as a compliance item in this Docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. (See §K of report for discussion and details.)
4. Staff recommends that the rates approved in this matter not become effective until the month after the Company becomes compliant with the ADWR requirements as described in Item No. 2 of the "Conclusions" section of the attached Engineering Report.

Rancho Del Conejo Community Water Co-op, Inc.

Docket No. W-02102B-12-0286

Test Year Ended December 31, 2011

Schedule CSB-1

SUMMARY OF FILING

	-- Present Rates --		Proposed	Recommended
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$ 133,080	\$ 133,080	\$ 228,441	\$ 204,968
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	9,773	9,773	9,773	9,773
	0	0	0	0
Total Operating Revenue	\$142,853	\$142,853	\$238,214	\$214,741
Operating Expenses:				
Operation and Maintenance	\$ 133,752	\$ 154,982	\$ 133,752	\$ 154,982
Depreciation	32,762	26,268	32,762	26,268
Property & Other Taxes	12,008	12,008	12,008	12,008
Income Tax	0	0	0	0
Total Operating Expense	\$178,522	\$193,258	\$178,522	\$193,258
Operating Income/(Loss)	(\$35,669)	(\$50,405)	\$59,692	\$21,484
Rate Base O.C.L.D.	\$281,565	\$229,771	\$281,565	\$229,771
Rate of Return - O.C.L.D.	N/M	N/M	21.20%	9.35%
Operating Margin	N/M	N/M	25.06%	10.00%

N/M = Not Meaningful

RATE BASE			
	----- Original Cost -----		
	Company	Adjustment Ref	Staff
Plant in Service	\$1,096,134	(\$6,198) A	\$1,089,936
Less:			
Accum. Depreciation	549,859	53,122 B	602,981
Net Plant	\$546,275	(\$59,321)	\$486,954
Less:			
Main Line Extension Advances	\$13,221	\$0	\$13,221
Service Line and Meter Advances	0	0	0
Total Advances	\$13,221	\$0	\$13,221
Contributions Gross	\$476,209	\$0	\$476,209
Less:			
Accumulated Amortization of CIAC	224,720	0	224,720
Net CIAC	\$251,489	\$0	\$251,489
Total Deductions	\$264,710	\$0	\$264,710
Plus:			
1/24 Purchased Power & Water	\$0	\$1,069 C	\$ 1,069
1/8 Operation & Maint.	0	6,458 D	6,458
Inventory	0	0	0
Prepayments	0	0	0
Total Additions	\$0	\$7,526	\$7,526
Rate Base	\$281,565	(\$51,794)	\$229,771

A - For Rate Base adjustment A, see Sch CSB-2, page 2
B - For Rate Base adjustment B, see Sch CSB-2, page 4
C - For Rate Base adjustment C, see Sch CSB-2, page 6
D - For Rate Base adjustment D, see Sch CSB-2, page 6

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization Cost	\$1,813	\$0	\$1,813
302 Franchise Cost	0	0	0
303 Land & Land Rights	10,942	(342) a	10,600
304 Structures & Improv	12,649	0	12,649
305 Collecting & Impounding Res.	0	0	0
307 Wells & Springs	163,181	(3,458) b	159,723
310 Power Generation Equip	0	0	0
311 Electric Pumping Equip	131,419	(0) c	131,419
320 Water Treatment Equip, Plants	199,288	0	199,288
320.1 Water Treatmnt Equip, Solution Feeders	0	0	0
330 Dist. Resrvr & Stndpipe	17,162	(2,398) d	14,764
331 Trans. & Distr. Mains	439,075	0	439,075
333 Services	43,154	0	43,154
334 Meters	40,296	0	40,296
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc Equip	0	0	0
340 Office Furniture & Fixt	9,362	(4,329) e	5,033
340.1 Computers and Software	0	4,329 f	4,329
341 Transportation Equip	11,900	0	11,900
343 Tools & Work Equip	5,793	0	5,793
345 Power Operated Equip	10,100	0	10,100
346 Communications Equip	0	0	0
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Equipment	0	0	0
TOTALS	\$1,096,134	(\$6,198) A	\$1,089,936

For Explanations of Adjustments, see Schedule CSB-2 page 3

STAFF PLANT ADJUSTMENTS

a	- LAND & LAND RIGHTS - Per Company	\$10,942	
	Per Staff	10,600	<u>(\$342)</u>

To remove the cost of plant associated with Well No. 1 which is no longer used and useful.

\$ 10,942	
0.03125	Est acreage of well no. 1 land divided by total in-service acres (ie, 1 acre/32 acres)
<u>\$ 342</u>	Est cost of land for Well No. 1

b	- WELLS & SPRINGS - Per Company	\$163,181	
	Per Staff	159,723	<u>(\$3,458)</u>

To remove the cost of plant associated with Well No. 1 which is no longer used and useful.

c	- ELECTRIC PUMPING EQUIPMENT - Per Company	\$131,419	
	Per Staff	131,419	<u>(\$0)</u>

To reflect the capitalization of a \$9,197 cost incurred for a pump that was inappropriately included in repairs and maintenance expense and to reflect its related retirement.

2011 Addition	\$ 9,197	From Repairs & Maint Exp
2011 Retirement	<u>\$ (9,197)</u>	Per Company
Ending Balance per Staff	\$ (0)	

d	- DISTRIBUTION RESERVOIRS & STANDPIPES	\$17,162	
	Per Staff	14,764	<u>(\$2,398)</u>

To remove the cost of plant associated with Well No. 1 which is no longer used and useful.

e	- OFFICE FURNITURE & FIXTURES - Per Company	\$9,362	
	Per Staff	5,033	<u>(\$4,329)</u>

To reflect the September 30, 2006, ending plant balance adopted in Dec. No. 70311, no plant retirements and plant additions as follows:

9/30/2006, Ending Plant Balance	\$ 5,033
	<u>\$ -</u>
Ending Balance per Staff	\$ 5,033

f	- COMPUTERS & SOFTWARE - Per Company	\$0	
	Per Staff	4,329	<u>\$4,329</u>

To reflect the September 30, 2006, ending plant balance adopted in Dec. No. 70311, no plant retirements and plant additions as follows:

9/30/2006, Ending Plant Balance	\$ -
2008 Addition	<u>\$ 4,329</u>
Ending Balance per Staff	\$ 4,329

Rancho Del Conejo Community Water Co-op, Inc.
Docket No. W-02102B-12-0286
Test Year Ended December 31, 2011

Schedule CSB-2
Page 4 of 6

ACCUMULATED DEPRECIATION ADJUSTMENT
--

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$549,859
Accumulated Depreciation - Per Staff	<u>602,981</u>
Total Adjustment	<u><u>\$53,122</u></u> B

To reflect Staff's calculation of accumulated depreciation expense based upon Staff's adjustments to plant.

See pages 4.1 to 4.11 for Staff's calculation.

Plant	30-Sep-06 Original Cost (Dec. No. 70311)	30-Sep-06 Accumulated Depreciation* (Dec. No. 70311)	Prior Depreciation Rates (Dec. No. 59881)	Depr. Rates Effective on 24-Apr-08 (Dec. No. 70311)	Oct to Dec				Oct to Dec		Oct to Dec	
					Additions (Dec. No. 70311)	2006 Retirements		Fully Depreciated	2006 Expense	Total Cost	Accumulated Depreciation	
						Cost Removal	Depreciation					
301 Organization Cost	\$1,813	\$0	0.00%	0.00%	\$0	\$0	\$0	\$0	\$1,813	\$0		
302 Franchise Cost	0	\$0	0.00%	0.00%	0	0	0	0	\$0	0		
303 Land & Land Rights	10,942	\$0	0.00%	0.00%	0	0	0	0	10,942	0		
304 Structures & Improv	12,649	\$5,501	5.00%	3.33%	0	0	0	0	\$632	6,134		
305 Collecting & Impounding Res.	0	\$0	5.00%	2.50%	0	0	0	0	\$0	0		
307 Wells & Springs	163,181	\$70,970	5.00%	3.33%	0	0	0	0	\$8,159	79,129		
310 Power Generation Equip	0	\$0	5.00%	5.00%	0	0	0	0	\$0	0		
311 Electric Pumping Equip	111,440	\$48,467	5.00%	12.50%	0	0	0	0	\$5,572	54,039		
320 Water Treatment Equip, Plants	0	\$0	5.00%	3.33%	0	0	0	0	\$0	0		
320.1 Water Treatmnt Equip, Solution Fε	0	\$0	5.00%	20.00%	0	0	0	0	\$0	0		
330 Dist. Reservr & Stndpipe	17,162	\$7,464	5.00%	2.22%	0	0	0	0	\$858	8,322		
331 Trans. & Distr. Mains	439,075	\$190,961	5.00%	2.00%	0	0	0	0	\$21,954	212,915		
333 Services	43,154	\$18,768	5.00%	3.33%	0	0	0	0	\$2,158	20,926		
334 Meters	37,447	\$16,286	5.00%	8.33%	0	0	0	0	\$1,872	18,159		
335 Hydrants	0	\$0	5.00%	2.00%	0	0	0	0	\$0	0		
336 Backflow Prevention Devices	0	\$0	5.00%	6.67%	0	0	0	0	\$0	0		
339 Other Plant and Misc Equip	0	\$0	5.00%	6.67%	0	0	0	0	\$0	0		
340 Office Furniture & Fixt	5,033	\$2,189	5.00%	6.67%	0	0	0	0	\$252	5,033		
340.1 Computers and Software	0	\$0	5.00%	20.00%	0	0	0	0	\$0	0		
341 Transportation Equip	9,300	\$4,045	5.00%	20.00%	0	0	0	0	\$465	9,300		
343 Tools & Work Equip	5,793	\$2,519	5.00%	5.00%	0	0	0	0	\$290	4,510		
345 Power Operated Equip	10,100	\$4,393	5.00%	5.00%	0	0	0	0	\$505	2,809		
346 Communications Equip	0	\$0	5.00%	10.00%	0	0	0	0	\$0	0		
347 Miscellaneous Equipment	0	\$0	5.00%	10.00%	0	0	0	0	\$0	0		
348 Other Tangible Equipment	0	\$0	5.00%	10.00%	0	0	0	0	\$0	0		

\$371,564

Rancho Del Conejo Community Water Co-op, Inc.
Docket No. W-02102B-12-0286
Test Year Ended December 31, 2011

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2007 Additions Cost	2007 Retirements		Fully Depreciated	2007		2007 Total Cost	2007 Accumulated Depreciation	2007 Net Book Value
		Cost Removal	Depreciation		Depr. Expense				
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$1,813	\$0	\$1,813	
302 Franchise Cost	0	0	0	0	\$0	0	0	0	
303 Land & Land Rights	0	0	0	0	\$0	10,942	0	10,942	
304 Structures & Improv	0	0	0	0	\$632	12,649	6,766	5,883	
305 Collecting & Impounding Res.	0	0	0	0	\$0	0	0	0	
307 Wells & Springs	0	0	0	0	\$8,159	163,181	87,288	75,893	
310 Power Generation Equip	0	0	0	0	\$0	0	0	0	
311 Electric Pumping Equip	0	0	0	0	\$5,572	111,440	59,611	51,829	
320 Water Treatment Equip	0	0	0	0	\$0	0	0	0	
320.1 Water Treatment Equip	0	0	0	0	\$0	0	0	0	
330 Dist Resvnr & Sndpipe	0	0	0	0	\$858	17,162	9,180	7,982	
331 Trans. & Distr. Mains	0	0	0	0	\$21,954	439,075	234,868	204,207	
333 Services	0	0	0	0	\$2,158	43,154	23,084	20,070	
334 Meters	735	0	0	0	\$1,891	38,182	20,049	18,133	
335 Hydrants	0	0	0	0	\$0	0	0	0	
336 Backflow Prevention Devices	0	0	0	0	\$0	0	0	0	
339 Other Plant and Misc Equip	0	0	0	0	\$0	0	0	0	
340 Office Furniture & Fixt	0	0	0	0	\$252	5,033	2,692	2,341	
340.1 Computers and Software	0	0	0	0	\$0	0	0	0	
341 Transportation Equip	0	0	0	0	\$465	9,300	4,975	4,325	
343 Tools & Work Equip	0	0	0	0	\$290	5,793	3,099	2,694	
345 Power Operated Equip	0	0	0	0	\$505	10,100	5,403	4,697	
346 Communications Equip	0	0	0	0	\$0	0	0	0	
347 Miscellaneous Equipment	0	0	0	0	\$0	0	0	0	
348 Other Tangible Equipment	0	0	0	0	\$0	0	0	0	
2007 Totals	\$735	\$0	\$0	\$0	\$42,735	\$867,824	\$457,016	\$410,808	

Rancho Del Conejo Community Water Co-op, Inc.
Docket No. W-02102B-12-0286
Test Year Ended December 31, 2011

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2008 Additions Cost	2008 Retirements		Fully Depreciated	2008		2008 Total Cost	2008 Accumulated Depreciation	2008 Net Book Value
		Cost Removal	Depreciation		Depr. Expense				
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$1,813	\$0	\$1,813
302 Franchise Cost	0	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	0	0	10,942	0	10,942
304 Structures & Improv	0	0	0	0	509	0	12,649	7,275	5,374
305 Collecting & Impounding Res.	0	0	0	0	0	0	0	0	0
307 Wells & Springs	0	0	0	0	6,569	0	163,181	93,858	69,323
310 Power Generation Equip	0	0	0	0	0	0	0	0	0
311 Electric Pumping Equip	0	0	0	0	10,448	0	111,440	70,059	41,381
320 Water Treatment Equip	0	0	0	0	0	0	0	0	0
320.1 Water Treatment Equip	0	0	0	0	0	0	17,162	9,760	7,402
330 Dist. Resrvr & Sndpipe	0	0	0	0	580	0	439,075	249,138	189,937
331 Trans. & Distr. Mains	0	0	0	0	14,270	0	43,154	24,821	18,333
333 Services	0	0	0	0	1,737	0	38,574	22,714	15,860
334 Meters	392	0	0	0	2,664	0	0	0	0
335 Hydrants	0	0	0	0	0	0	0	0	0
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0	0
339 Other Plant and Misc Equip	0	0	0	0	301	0	5,033	2,993	2,040
340 Office Furniture & Fixt	0	0	0	0	298	0	4,329	298	4,031
340.1 Computers and Software	4,329	0	0	0	1,279	0	9,300	6,253	3,047
341 Transportation Equip	0	0	0	0	290	0	5,793	3,388	2,405
343 Tools & Work Equip	0	0	0	0	505	0	10,100	5,908	4,192
345 Power Operated Equip	0	0	0	0	0	0	0	0	0
346 Communications Equip	0	0	0	0	0	0	0	0	0
347 Miscellaneous Equipment	0	0	0	0	0	0	0	0	0
348 Other Tangible Equipment	0	0	0	0	0	0	0	0	0
2008 Totals	\$4,721	\$0	\$0	\$0	\$39,449	\$0	\$872,545	\$496,465	\$376,080

Rancho Del Conejo Community Water Co-op, Inc.
Docket No. W-02102B-12-0286
Test Year Ended December 31, 2011

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2009 Additions Cost	2009 Retirements		Fully Depreciated	2009 Depr. Expense	2009 Total Cost	2009 Accumulated Depreciation	2009 Nat Book Value
		Cost Removal	Depreciation					
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$1,813	\$0	\$1,813
302 Franchise Cost	0	0	0	0	\$0	0	0	0
303 Land & Land Rights	0	0	0	0	\$0	10,942	0	10,942
304 Structures & Improv	0	0	0	0	\$421	12,649	7,697	4,952
305 Collecting & Impounding Res.	0	0	0	0	\$0	0	0	0
307 Wells & Springs	0	0	0	0	\$5,434	163,181	99,292	63,889
310 Power Generation Equip	0	0	0	0	\$0	0	0	0
311 Electric Pumping Equip	28,588	8,609	8,609	0	\$15,179	131,419	76,628	54,791
320 Water Treatment Equip	0	0	0	0	\$0	0	0	0
320.1 Water Treatment Equip	0	0	0	0	\$0	0	0	0
330 Dist. Resrvr & Sndpipe	0	0	0	0	\$381	17,162	10,141	7,021
331 Trans. & Distr. Mains	0	0	0	0	\$8,782	439,075	257,920	181,155
333 Services	0	0	0	0	\$1,437	43,154	26,258	16,896
334 Meters	332	0	0	0	\$3,227	38,906	25,941	12,965
335 Hydrants	0	0	0	0	\$0	0	0	0
336 Backflow Prevention Devices	0	0	0	0	\$0	0	0	0
339 Other Plant and Misc Equip	0	0	0	0	\$336	5,033	3,329	1,704
340 Office Furniture & Fixt	0	0	0	0	\$866	4,329	1,163	3,166
340.1 Computers and Software	0	0	0	0	\$1,860	9,300	8,113	1,187
341 Transportation Equip	0	0	0	0	\$290	5,793	3,678	2,115
343 Tools & Work Equip	0	0	0	0	\$505	10,100	6,413	3,687
345 Power Operated Equip	0	0	0	0	\$0	0	0	0
346 Communications Equip	0	0	0	0	\$0	0	0	0
347 Miscellaneous Equipment	0	0	0	0	\$0	0	0	0
348 Other Tangible Equipment	0	0	0	0	\$0	0	0	0
2009 Totals	\$28,920	\$8,609	\$8,609	\$0	\$38,717	\$892,856	\$526,573	\$366,283

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2010									
	Additions Cost	2010 Retirements		Fully Depreciated	2010		2010 Total Cost	2010 Accumulated Depreciation	2010 Net Book Value	
		Cost Removal	Depreciation		Depr. Expense					
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$1,813	\$0	\$1,813		
302 Franchise Cost	0	0	0	0	\$0	0	0	0		
303 Land & Land Rights	0	0	0	0	\$0	10,942	0	10,942		
304 Structures & Improv	0	0	0	0	\$421	12,649	8,118	4,531		
305 Collecting & Impounding Res.	0	0	0	0	0	0	0	0		
307 Wells & Springs	0	0	0	0	\$5,434	163,181	104,725	58,456		
310 Power Generation Equip	0	0	0	0	\$0	0	0	0		
311 Electric Pumping Equip	0	0	0	0	\$16,427	131,419	93,056	38,363		
320 Water Treatment Equip	199,288	0	0	0	\$3,318	199,288	3,318	195,970		
320.1 Water Treatment Equip	0	0	0	0	\$0	0	0	0		
330 Dist. Resrvr & Sndpipe	0	0	0	0	\$381	17,162	10,522	6,640		
331 Trans. & Distr. Mains	0	0	0	0	\$8,782	439,075	266,701	172,374		
333 Services	0	0	0	0	\$1,437	43,154	27,695	15,459		
334 Meters	1,026	0	0	0	\$3,284	39,932	29,224	10,708		
335 Hydrants	0	0	0	0	\$0	0	0	0		
336 Backflow Prevention Devices	0	0	0	0	\$0	0	0	0		
339 Other Plant and Misc Equip	0	0	0	0	\$0	0	0	0		
340 Office Furniture & Fixt	0	0	0	0	\$336	5,033	3,664	1,369		
340.1 Computers and Software	0	0	0	0	\$866	4,329	2,029	2,300		
341 Transportation Equip	2,600	0	0	0	\$2,120	11,900	10,233	1,667		
343 Tools & Work Equip	0	0	0	0	\$290	5,793	3,968	1,825		
345 Power Operated Equip	0	0	0	0	\$505	10,100	6,918	3,182		
346 Communications Equip	0	0	0	0	\$0	0	0	0		
347 Miscellaneous Equipment	0	0	0	0	\$0	0	0	0		
348 Other Tangible Equipment	0	0	0	0	\$0	0	0	0		
2010 Totals	\$202,914	\$0	\$0	\$0	\$43,600	\$1,095,770	\$570,173	\$525,597		

Rancho Del Conejo Community Water Co-op, Inc.
Docket No. W-02102B-12-0286
Test Year Ended December 31, 2011

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2011 Additions Cost	2011 Retirements		Fully Depreciated	2011 Depr. Expense	2011 Total Cost	2011 Accumulated Depreciation	2011 Net Book Value
		Cost Removal	Depreciation					
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$1,813	\$0	\$1,813
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	342	0	0	0	10,600	0	10,600
304 Structures & Improv	0	0	0	0	421	12,649	8,539	4,110
305 Collecting & Impounding Res.	0	0	0	0	0	0	0	0
307 Wells & Springs	0	3,458	3,458	0	5,376	159,723	106,644	53,079
310 Power Generation Equip	0	0	0	0	0	0	0	0
311 Electric Pumping Equip	9,197	9,197	9,197	0	16,427	131,419	100,286	31,133
320 Water Treatment Equip	0	0	0	0	6,636	199,288	9,954	189,334
320.1 Water Treatment Equip	0	0	0	0	0	0	0	0
330 Dist. Resv'r & Sndpipe	0	2,398	2,398	0	354	14,764	8,478	6,286
331 Trans. & Distr. Mains	0	0	0	0	8,782	439,075	275,483	163,592
333 Services	0	0	0	0	1,437	43,154	29,132	14,022
334 Meters	364	0	0	0	4,051	40,296	33,276	7,020
335 Hydrants	0	0	0	0	0	0	0	0
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
339 Other Plant and Misc Equip	0	0	0	0	336	5,033	4,000	1,033
340 Office Furniture & Fixt	0	0	0	0	866	4,329	2,895	1,434
340.1 Computers and Software	0	0	0	0	2,380	11,900	12,613	(713)
341 Transportation Equip	0	0	0	0	290	5,793	4,257	1,536
343 Tools & Work Equip	0	0	0	0	505	10,100	7,423	2,677
345 Power Operated Equip	0	0	0	0	0	0	0	0
346 Communications Equip	0	0	0	0	0	0	0	0
347 Miscellaneous Equipment	0	0	0	0	0	0	0	0
348 Other Tangible Equipment	0	0	0	0	0	0	0	0
2011 Totals	\$9,561	\$15,395	\$15,053	\$0	\$47,862	\$1,089,936	\$602,981	\$486,954

<p style="text-align: center;">CALCULATION OF 9/30/2006 ENDING ACCUMULATED DEPRECIATION BY PLANT ACCOUNT</p>

	Plant Original Cost as of 9/30/2006 (Dec. No. 70311)	Less Non Depreciable Plant	Depreciable Plant	Percent to Total	Accumulated Depreciation as of 9/30/2006 (Dec. No. 70311)	Accumulated Depreciation as of 9/30/2006 By Plant Account
301 Organization Cost	\$1,813	(\$1,813)	\$0			\$0.00
302 Franchise Cost	10,942	(10,942)	\$0			\$0.00
303 Land & Land Rights	0		\$0			
304 Structures & Improv	12,649		\$12,649	1.48% x	\$371,564	\$5,501.26
305 Collecting & Impounding Res.	0		\$0			
307 Wells & Springs	163,181		\$163,181	19.10% x	\$371,564	\$70,970.12
310 Power Generation Equip	0		\$0			
311 Electric Pumping Equip	111,440		\$111,440	13.04% x	\$371,564	\$48,467.10
320 Water Treatment Equip, Plants	0		\$0			
320.1 Water Treat. Equip, Sol. Feeders	0		\$0			
330 Dist. Resrvr & Stndpipe	17,162		\$17,162	2.01% x	\$371,564	\$7,464.04
331 Trans. & Distr. Mains	439,075		\$439,075	51.39% x	\$371,564	\$190,960.99
333 Services	43,154		\$43,154	5.05% x	\$371,564	\$18,768.39
334 Meters	37,447		\$37,447	4.38% x	\$371,564	\$16,286.32
335 Hydrants	0		\$0			
336 Backflow Prevention Devices	0		\$0			
339 Other Plant and Misc Equip	0		\$0			
340 Office Furniture & Equipment	5,033		\$5,033	0.59% x	\$371,564	\$2,188.94
340.1 Computers and Software	0		\$0			
341 Transportation Equip	9,300		\$9,300	1.09% x	\$371,564	\$4,044.72
343 Tools & Work Equip	5,793		\$5,793	0.68% x	\$371,564	\$2,519.47
345 Power Operated Equip	10,100		\$10,100	1.18% x	\$371,564	\$4,392.66
346 Communications Equip	0		\$0			
347 Miscellaneous Equipment	0		\$0			
348 Other Tangible Equipment	0		\$0			
2006 Total	\$867,089	(\$12,755)	\$854,334	100.00%		\$371,564.00

STAFF RATE BASE ADJUSTMENTS

C	-	WORKING CAPITAL (1/24 PURCHASED PWR & WTR) - Per Company	\$0	
		Per Staff	1,069	\$1,069
		<hr/>		
		To reflect Staff's calculation of working capital based upon Staff's recommendations for purchased power and purchased water.		
D	-	WORKING CAPITAL (1/8 OPERATION & MAINT EXP) - Per Company	\$ -	
		Per Staff	6,458	\$6,458
		<hr/>		
		To reflect Staff's calculation of working capital based upon Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).		

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted	Staff Recommended	
Revenues:					
461 Metered Water Revenue	\$ 133,080	\$ -	\$ 133,080	\$ 71,888	\$204,968
460 Unmetered Water Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
474 Other Water Revenues	\$ 9,773	\$ -	\$ 9,773	\$ -	\$ 9,773
Total Operating Revenue	\$ 142,853	\$ -	\$ 142,853	\$ 71,888	\$214,741
Operating Expenses:					
601 Salaries and Wages	\$ 39,492	\$ -	\$ 39,492	\$ -	\$ 39,492
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 22,922	\$ 2,725 A	\$ 25,647	\$ -	\$ 25,647
618 Chemicals	\$ -	\$ -	\$ -	\$ -	\$ -
620 Repairs and Maintenance	\$ 36,689	\$ 19,203 B	\$ 55,892	\$ -	\$ 55,892
621 Office Supplies & Expense	\$ 9,456	\$ (2,725) C	\$ 6,731	\$ -	\$ 6,731
630 Contractual Services	\$ 8,589	\$ -	\$ 8,589	\$ -	\$ 8,589
635 Water Testing	\$ 819	\$ 1,360 D	\$ 2,179	\$ -	\$ 2,179
641 Rents	\$ -	\$ -	\$ -	\$ -	\$ -
650 Transportation Expenses	\$ 2,456	\$ -	\$ 2,456	\$ -	\$ 2,456
657 Insurance - General Liability	\$ 691	\$ -	\$ 691	\$ -	\$ 691
659 Insurance - Health and Life	\$ 10,688	\$ -	\$ 10,688	\$ -	\$ 10,688
666 Regulatory Commission Expense - Rate Case	\$ -	\$ 667 E	\$ 667	\$ -	\$ 667
675 Miscellaneous Expense	\$ 1,950	\$ -	\$ 1,950	\$ -	\$ 1,950
403 Depreciation Expense	\$ 32,762	\$ (6,494) F	\$ 26,268	\$ -	\$ 26,268
408 Taxes Other Than Income	\$ 3,519	\$ -	\$ 3,519	\$ -	\$ 3,519
408.11 Property Taxes	\$ 8,489	\$ -	\$ 8,489	\$ -	\$ 8,489
409 Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 178,522	\$ 14,736	\$ 193,258	\$ -	\$193,258
OPERATING INCOME/(LOSS)	\$ (35,669)	\$ (14,736)	\$ (50,405)	\$ 71,888	\$ 21,484

STAFF ADJUSTMENTS

A	- PURCHASED POWER - Per Company	\$	22,922	
	Per Staff		25,647	\$2,725
	<hr/>			
	To reclassify purchased power incorrectly included in the Office Supplies and Expense account.			
	\$	22,922	2011 ending balance	
	\$	2,725	To reclassify costs incurred for purchased power	
	\$	25,647		
	<hr/>			
B	- REPAIRS & MAINTENANCE - Per Company	\$	36,689	
	Per Staff		55,892	\$19,203
	<hr/>			
	To reflect the known and measurable cost to replace the filters			
	\$	10,089	2011 ending balance	
	\$	55,000	Quote for arsenic media that the Company received from vendor (\$82,500 / 1.5years)	
	\$	(9,197)	To capitalize costs incurred for a pump	
	\$	55,892		
	<hr/>			
C	- OFFICE SUPPLIES & EXPENSE - Per Company	\$	9,456	
	Per Staff		6,731	(\$2,725)
	<hr/>			
	To reclassify purchased power incorrectly included in the Office Supplies and Expense account.			
	\$	9,456	2011 ending balance	
	\$	(2,725)	To reclassify costs incurred for purchased power	
	\$	6,731		
	<hr/>			
D	- WATER TESTING EXPENSE - Per Company	\$	819	
	Per Staff		2,179	\$1,360
	<hr/>			
	To reflect Staff's calculation of water testing expense.			
	<hr/>			
E	- RATE CASE EXPENSE - Per Company	\$	-	
	Per Staff		667	\$667
	<hr/>			
	To reflect a normalized amount of rate case expense based on three years between rate cases.			
	\$	2,000.00	Rate Case Expense	
		3	Divided by 3 years	
	\$	666.67		
	<hr/>			

STAFF ADJUSTMENTS (Cont.)

F - DEPRECIATION - Per Company \$ 32,762
Per Staff 26,268 (\$6,494)
To reflect Staff's calculation of depreciation expense.

Acct No.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
301	Organization	\$1,813	\$ 1,813	\$ -	0.00%	\$ -
302	Franchises	\$0	\$ 10,942	\$ (10,942)	0.00%	\$ -
303	Land & Land Rights	\$10,600	\$ -	\$ 10,600	0.00%	\$ -
304	Structures & Improvements	\$12,649	\$ -	\$ 12,649	3.33%	\$ 421
307	Wells & Springs	\$159,723	\$ -	\$ 159,723	3.33%	\$ 5,319
311	Pumping Equipment	\$131,419	\$ -	\$ 131,419	12.50%	\$ 16,427
320	Water Treatment Equipment	\$199,288	\$ -	\$ 199,288	3.33%	\$ 6,636
330.1	Distribution Reservoirs - Storage	\$14,764	\$ -	\$ 14,764	2.22%	\$ 328
330.2	Distribution Reservoirs - Pressure	\$0	\$ -	\$ -	5.00%	\$ -
331	Transmission & Distribution Mains	\$439,075	\$ -	\$ 439,075	2.00%	\$ 8,782
333	Services	\$43,154	\$ -	\$ 43,154	3.33%	\$ 1,437
334	Meters & Meter Installations	\$40,296	\$ -	\$ 40,296	8.33%	\$ 3,357
335	Hydrants	\$0	\$ -	\$ -	2.00%	\$ -
336	Backflow Prevention Devices	\$0	\$ -	\$ -	6.67%	\$ -
339	Other Plant and Misc. Equipment	\$0	\$ -	\$ -	6.67%	\$ -
340	Office Furniture & Equipment	\$5,033	\$ -	\$ 5,033	6.67%	\$ 336
340.1	Computers and Software	\$4,329	\$ -	\$ 4,329	20.00%	\$ 866
341	Transportation Equipment	\$11,900	\$ -	\$ 11,900	20.00%	\$ 2,380
343	Tools Shop & Garage Equipment	\$5,793	\$ -	\$ 5,793	5.00%	\$ 290
345	Power Operated Equip	\$10,100	\$ -	\$ 10,100	5.00%	\$ 505
347	Miscellaneous Equipment	\$0	\$ -	\$ -	10.00%	\$ -
Total Plant		\$ 1,089,936	\$ 12,755	\$ 1,077,181		\$ 47,083

Depreciation Expense Before Amortization of CIAC:	\$ 47,083
Less Amortization of CIAC*:	\$ 20,815
Test Year Depreciation Expense - Staff:	\$ 26,268
Depreciation Expense - Company:	\$ 32,762
Staff's Total Adjustment:	\$ (6,494)

*** Amortization of CIAC Calculation:**

Contribution(s) in Aid of Construction (Gross)	\$476,209
Less: Non Amortizable Contribution(s)	0
Less: Fully Amortized Contribution(s)	0
Amortizable Contribution(s)	\$ 476,209
Times: Composite Depreciation Rate (Depr Exp / Depreciable Plant)	4.37%
Amortization of CIAC	\$ 20,815

RATE DESIGN

Monthly Customer Charge:

	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	\$14.00	\$38.99	\$ 20.00
3/4" Meter	16.00	40.99	35.00
1" Meter	20.00	44.99	58.00
1 1/2" Meter	66.00	90.99	100.00
2" Meter	105.00	129.99	160.00
3" Meter	209.00	233.99	368.00
4" Meter	325.00	349.99	575.00
6" Meter	650.00	674.99	1,000.00

Arsenic Surcharge

\$3.18 Eliminate Eliminate

Gallons Included In Monthly Customer Charge:

0 0 0

Commodity Charge per 1,000 Gallons for 5/8", 3/4", & 1" Residential Meters:

Per 1,000 Gallons for 0 to 3,000 Gallons	\$1.40	\$1.40	\$2.50
Per 1,000 Gallons for 3,001 to 10,000 Gallons	\$2.10	\$2.10	\$4.00
Per 1,000 Gallons for Gallons in Excess of 10,000	\$3.00	\$3.00	\$5.39

Commodity Charge per 1,000 Gallons for 1 1/2" and Larger Meters

Per 1,000 Gallons for 0 to 25,000 Gallons	\$2.10	\$2.10	\$4.00
Per 1,000 Gallons for Gallons in Excess of 25,000	\$3.00	\$3.00	\$5.39

Bulk Water Commodity Charge Per 1,000 Gallons

\$4.50 \$4.50 \$5.39

Service Line and Meter Installation Charges

Non-Refundable

	Present Rates	Company Proposed	Staff Recommended		
			Meters	Services	Total
5/8" x 3/4" Meter	\$440	\$440	\$85	\$355	\$440
3/4" Meter	\$520	\$520	\$165	\$355	\$520
1" Meter	\$610	\$610	\$205	\$405	\$610
1 1/2" Meter	\$855	\$855	\$415	\$440	\$855
2" Meter	\$1,515	\$1,515	\$500	\$1,015	\$1,515
3" Meter	\$2,195	\$2,195	\$775	\$1,420	\$2,195
4" Meter	\$3,360	\$3,360	\$1,110	\$2,250	\$3,360
6" Meter	\$6,115	\$6,115	\$1,670	\$4,445	\$6,115
Over 6" Meter	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

Service Charges

Establishment	\$35.00	\$40.00	\$40.00
Establishment (After Hours)	40.00	Eliminate	Eliminate
Reconnection (Delinquent)	40.00	40.00	40.00
Reconnection (Delinquent) After Hours	N/A	60.00	Denial
After Hours Service Charge	N/A	N/A	40.00
Meter Test (If Correct)	45.00	45.00	45.00
Deposit	0.5%	*	*
Deposit Interest (Per Year)	**	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	25.00	25.00	25.00
Deferred Payment (Per Month)	***	1.50%	1.50%
Meter Re-Read (If Correct)	15.00	20.00	20.00
Late Fee (Per Month)	1.50%	1.50%	1.50%

Monthly Service Charge For Fire Sprinkler

4" or Smaller	****	****	****
6"	****	****	****
8"	****	****	****
10"	****	****	****
Larger than 10"	****	****	****

* Per Commission rule AAC R14-2-403.B

** Number of months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 291

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates¹</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	7,767	\$31.39	\$53.20	\$21.81	69.5%
Median Usage	5,154	\$ 25.90	\$ 47.71	\$21.81	84.2%
<u>Staff Recommended</u>					
Average Usage	7,767	\$31.39	\$46.57	\$15.18	48.4%
Median Usage	5,154	\$25.90	\$36.12	\$10.22	39.4%

¹ Includes \$3.18 Arsenic Surcharge

Present & Proposed Rates (Without Taxes)
General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates¹</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Recommended Rates</u>	<u>% Increase</u>
0	\$17.18	\$38.99	126.9%	\$20.00	16.4%
1,000	18.58	40.39	117.4%	22.50	21.1%
2,000	19.98	41.79	109.2%	25.00	25.1%
3,000	21.38	43.19	102.0%	27.50	28.6%
4,000	23.48	45.29	92.9%	31.50	34.2%
5,000	25.58	47.39	85.3%	35.50	38.8%
6,000	27.68	49.49	78.8%	39.50	42.7%
7,000	29.78	51.59	73.2%	43.50	46.1%
8,000	31.88	53.69	68.4%	47.50	49.0%
9,000	33.98	55.79	64.2%	51.50	51.6%
10,000	36.08	57.89	60.4%	55.50	53.8%
15,000	51.08	72.89	42.7%	82.45	61.4%
20,000	66.08	87.89	33.0%	109.40	65.6%
25,000	81.08	102.89	26.9%	136.35	68.2%
50,000	156.08	177.89	14.0%	271.10	73.7%
75,000	231.08	252.89	9.4%	405.85	75.6%
100,000	306.08	327.89	7.1%	540.60	76.6%
125,000	381.08	402.89	5.7%	675.35	77.2%
150,000	456.08	477.89	4.8%	810.10	77.6%
175,000	531.08	552.89	4.1%	944.85	77.9%
200,000	606.08	627.89	3.6%	1,079.60	78.1%

CASH FLOW ANALYSIS

Line No.		Staff Proposed Revenues and Expenses	
1	INCOME STATEMENT		
2			
3	Operating Revenue		
4	Metered Water Revenue	\$	204,968
5	Unmetered Water Revenues	\$	-
6	Other Water Revenues	\$	9,773
7	Total Operating Rev:	\$	214,741
8			
9	Operating Expenses		
10	601 Salaries and Wages	\$	39,492
11	610 Purchased Water	\$	-
12	615 Purchased Power	\$	25,647
13	618 Chemicals	\$	-
14	620 Repairs and Maintenance	\$	55,892
15	621 Office Supplies & Expense	\$	6,731
16	630 Contractual Services	\$	8,589
17	635 Water Testing	\$	2,179
18	641 Rents	\$	-
19	650 Transportation Expenses	\$	2,456
20	657 Insurance - General Liability	\$	691
21	659 Insurance - Health and Life	\$	10,688
22	666 Regulatory Comm Exp - Rate Case	\$	667
23	675 Miscellaneous Expense	\$	1,950
24	403 Depreciation Expense	\$	26,268
25	408 Taxes Other Than Income	\$	3,519
26	408.11 Property Taxes	\$	8,489
27	409 Income Tax	\$	-
28	Total Operating Expense	\$	193,258
29			
30	Operating Income	\$	21,484
31			
32	Interest Income		
33	Interest Expense on Long-term debt	\$	15,752
34	Total Other Interest Expense	\$	(15,752)
35			
36	Net Income	\$	5,731
37			
38	Rate Base	\$	229,771
39			
40	Rate of Return (Line 30 / Line 38)		9.35%
41			
42	Operating Margin (Line 30 / Line 7)		10.00%
43			
44	Principal Repayment	\$	19,588
45			
46	Cash Flow (L 24 + L36 - L44)	\$	12,411
47			
48	TIER		
49	Before Tax: [L 27 + L 30] ÷ L 33		1.36
50	After Tax: L30 ÷ L 33		1.36
51	DSC		
52	Before Tax: [L 24 + L27+ L 30] ÷ [L 33 + L 44]		1.35
53	After Tax : [L 24 + L 30] ÷ [L 33 + L 44] (WIFA)		1.35

Sch CSB-6, P. 1 & 2

Sch CSB-6, P. 1 & 2

Loan Amount Requested	\$266,300		
Down Payment:	\$0		
Amount Financed:	\$266,300		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	5.00%	APR:	5.12%

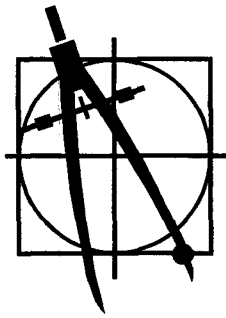
LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning- of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$1,757.46	\$266,300.00	\$1,109.58	\$647.88	\$265,652.12			
2	1,757.46	265,652.12	1,106.88	650.58	265,001.54			
3	1,757.46	265,001.54	1,104.17	653.29	264,348.25			
4	1,757.46	264,348.25	1,101.45	656.01	263,692.24			
5	1,757.46	263,692.24	1,098.72	658.74	263,033.50			
6	1,757.46	263,033.50	1,095.97	661.49	262,372.01			
7	1,757.46	262,372.01	1,093.22	664.25	261,707.76			
8	1,757.46	261,707.76	1,090.45	667.01	261,040.75			
9	1,757.46	261,040.75	1,087.67	669.79	260,370.96			
10	1,757.46	260,370.96	1,084.88	672.58	259,698.37			
11	1,757.46	259,698.37	1,082.08	675.39	259,022.99			
12	1,757.46	259,022.99	1,079.26	678.20	258,344.79	13,134.34	7,955.21	21,089.55

Loan Amount Requested	\$192,805		
Down Payment:	\$0		
Amount Financed:	\$192,805		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	4.20%	APR:	4.28%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning- of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$1,187.55	\$192,805.00	\$674.12	\$513.43	\$192,091.57			
2	1,187.55	192,091.57	672.32	515.23	191,576.35			
3	1,187.55	191,576.35	670.52	517.03	191,059.32			
4	1,187.55	191,059.32	668.71	518.84	190,540.48			
5	1,187.55	190,540.48	666.89	520.65	190,019.82			
6	1,187.55	190,019.82	665.07	522.48	189,497.35			
7	1,187.55	189,497.35	663.24	524.31	188,973.04			
8	1,187.55	188,973.04	661.41	526.14	188,446.90			
9	1,187.55	188,446.90	659.56	527.98	187,918.92			
10	1,187.55	187,918.92	657.72	529.83	187,389.09			
11	1,187.55	187,389.09	655.86	531.68	186,857.41			
12	1,187.55	186,857.41	654.00	533.55	186,323.86	7,969.41	6,281.14	14,250.55



**Engineering Report
Rancho Del Conejo Community
Water Co-op Company, Inc.
Prepared By
Dorothy Hains, P. E.
Docket Nos. W-02102B-12-0286
(Rates)**

November 26, 2012

EXECUTIVE SUMMARY

RECOMMENDATIONS:

1. Arizona Corporation Commission Utilities Division Staff ("Staff") recommends estimated annual water testing costs of \$2,179 for Rancho Del Conejo Community Water Co-op Company ("the Company" or "Rancho Del Conejo"). (See §I and Table 3 for discussion and details.)
2. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners category, as delineated in Exhibit 5. (See §J and Exhibit 5 for a discussion and a tabulation of the recommended rates.)
3. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 4. (See §K of report for discussion and details.)
4. Staff recommends that the expenses for Well No. 1, onsite storage tank and the pressure tank for Well #1 be removed from this rate design, because those plant items are not used and useful.(See §K for discussion and details.)
5. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, the three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. (See §K of report for discussion and details.)
6. Any rate increases granted in this case should not become effective until the first day of the month following the Company filing in Docket Control documentation from Arizona Department of Water Resources ("ADWR") stating that the Company is compliant with ADWR requirements governing water providers and/or community water systems.

CONCLUSIONS:

1. A check of the Commission's Compliance Section database dated November 2, 2012, indicated that Rancho Del Conejo has no ACC delinquent compliance items. (See §H of report for discussion and details.)
2. Rancho Del Conejo is in Arizona Department of Water Resources ("ADWR") Tucson Active Management Area. Staff received a Compliance Status Report from ADWR for Rancho Del Conejo on July 27, 2012. In its report ADWR reported that Rancho Del Conejo is not compliant with departmental requirements governing water providers and/or community water systems due to (1) failure to file its Annual Report; and (2) failure to file its water system plan. (See §G of report for discussion and details.)
3. The compliance status report from Arizona Department of Environmental Quality ("ADEQ") dated September 6, 2012, indicates that Rancho Del Conejo has no major deficiencies and is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4. (See §F of report for discussion and details.)
4. Rancho Del Conejo has approved cross connection and curtailment tariffs. (See §K of report for discussion and details.)
5. Rancho Del Conejo has adequate production and storage capacities to support its existing customer bases. (See §C of report for discussion and details.)
6. Staff concludes that the Company's revised media replacement cost of \$82,550 is reasonable. (See §K of report for discussion and details.)

TABLE OF CONTENTS

	<u>Page</u>
A. PURPOSE OF REPORT.....	1
B. LOCATION OF THE COMPANY.....	1
C. DESCRIPTION OF SYSTEM.....	1
I. System Description.....	1
II. System Analysis	3
D. WATER USAGE	3
I. Water Sold.....	3
II. Non-account Water.....	4
E. GROWTH PROJECTION.....	4
F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE.....	4
G. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE.....	4
H. ACC COMPLIANCE	4
I. WATER TESTING EXPENSES.....	4
J. DEPRECIATION RATES	6
K. OTHER ISSUES	6
I. Service Line and Meter Installation Charges	6
II. Field Inspection Findings.....	7
III. Curtailment Tariff.....	7
IV. Cross Connection or Backflow Provention Tariff.....	7
V. Best Management Practices (“BMPs”) Tariff.....	7
VI. Funding Request to Replace3 Arsenic Treatment Plant Media	7

EXHIBITS

Exhibit 1: Rancho Del Conejo Community Water Co-op Certificate Service Area	8
Exhibit 2: Location of Rancho Del Conejo Community Water Co-op Service Area.....	9
Exhibit 3: Systematic Drawing	10
Exhibit 4: Water Usage in Rancho Del Conejo Community Water Co-op Service Area.....	11
Exhibit 5: Depreciation Rates	12

ENGINEERING REPORT
RANCHO DEL CONEJO COMMUNITY WATER CO-OP COMPANY, INC.
DOCKET NO. W-02102B-12-0286 (RATES)

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Rancho Del Conejo Community Water Co-op Company, Inc. ("Rancho Del Conejo" or "Company") with the Arizona Corporation Commission ("ACC" or "the Commission") to increase its water rates. The ACC Utilities Division Staff ("Utilities Staff" or "Staff") engineering review and analysis of the subject application is presented in this report.

An inspection of the Company's water system was conducted by Dorothy Hains, Staff Engineer, accompanied by Company Representative, Donovan Hemway (President) and Saul Martinez (Field Technician) on October 2, 2012.

B. LOCATION OF THE COMPANY

The Company is located approximately a half mile southwest of the Marana Municipal Airport which is approximately two and one-half miles north of the City of Tucson, in Pima County. Attached Exhibits 1 and 2 detail the location of the service area in relation to other Commission regulated companies in Pima County and in the immediate area. The Company serves an area approximately one square mile in size that includes all or a portion of Sections 7 and 8 of Township 13 South and Range 11 East.

C. DESCRIPTION OF SYSTEM

I. System Description

Rancho Del Conejo owns and operates a water system that consists of two active well sites, an arsenic removal plant, 170,000 gallon of storage capacity, a booster pump station and a distribution system. The Company serves approximately 320 active metered connections based on water use data sheet contained in the Company's application; which includes a mixture of residential and commercial customers. Exhibit 3 is a schematic drawing of the water system.

A detailed listing of the Company's water system plant follows:

Table 1 Plant Data in Rancho Del Conejo (in PWS #10-142)

Active Drinking Water Wells

ADWR No.	Well #	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
55-622895	2	1972	12	603	3	40	200
55-579159	3	2000	8	800	3	40	200

Active Storage, Pumping

Location	Structure or equipment	Capacity
Well #2 Site	Pressure tank	One 5,000 gal
	Storage Tank	One 20,000 gal Tank (20' height)
	Booster pump station	One 10-HP
Well #3 Site	Pressure tank	One 50 gal tank
	Booster pump station	Three 30-HP
	Storage tank	One 150,000 gal (24' height) tank

Distribution Mains in Rancho Del Conejo CC&N Area

Diameter (inches)	Material	Length (feet)
2	Poly vinyl chloride ("PVC")	1,272
3	PVC	12,370
4	PVC	8,820
6	PVC	28,470
8	PVC	400

Meters in Rancho Del Conejo CC&N Area

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	334
$\frac{3}{4}$	12
1	18
1½	0
2	0
3 (comp)	0
3 (Turbo)	1
4 (comp)	0
4 (Turbo)	0
6 (comp)	0
6 (Turbo)	0

Inactive (or demolished or capped) Wells

ADWR No.	Well #	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
55-622894	1	1967	8	500	2	7½	45

Inactive Storage, Pumping

Location	Structure or equipment	Capacity
Well #1 Site	Pressure tank	One 1,000 gal
	storage tank	One 6,000 gal tank
	Booster pump station	One 10-HP

II. System Analysis

The Rancho Del Conejo system has adequate production and storage capacity to support the existing customer base and reasonable growth.

D. WATER USAGE

Table 2 summarizes water usage in the Company's CC&N area. Exhibit 4 is a graph that shows water consumption data in gallons per day per connection for the Company's water system for the test year period of January 2011 through December 2011.¹

Table 2 Water Usage in Rancho Del Conejo Water CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gallons per day/customer)
Jan 11	322	1,785,000	1,907,000	0	179
Feb 11	317	2,374,000	2,500,000	0	267
Mar 11	321	2,075,000	2,222,000	0	209
Apr 11	320	2,969,000	3,095,000	0	309
May 11	318	2,226,000	2,351,000	0	226
Jun 11	319	4,886,000	4,951,000	0	511
Jul 11	317	3,021,000	3,408,000	0	307
Aug 11	320	3,000,000	3,163,000	0	302
Sep 11	322	3,193,000	3,409,000	0	331
Oct 11	321	2,511,000	2,604,000	0	252
Nov 11	319	1,853,000	1,881,000	0	192
Dec 11	319	1,645,000	1,702,000	0	166
total		31,578,000	33,193,000	0	
Average					271

¹ This data was provided by the Company in its water use data sheet.

I Water Sold

Based on information provided by the Company, the calculated highest use is 511 gallons per day (gpd) per meter. The lowest use is 166 gpd per meter. Customer consumption included a high monthly water use of 4,886,000 gallons in June, and the low water use was 1,645,000 gallons in December. The average annual use was 271 gpd per meter.

II. Non-account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between the water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing, etc. The calculated water loss in Rancho Del Conejo system was 5 % during the test year.

E. GROWTH PROJECTION

For the past five years, this Company has experienced a very flat growth rate. Prior to the economic downturn the company had an average growth rate of three customers per year. Future growth is hard to predict since it will depend on what happens with the economy.

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

In a Compliance Status Report dated September 6, 2012, ADEQ reported that Rancho Del Conejo system PWS No. 10-142 had no major deficiencies and was delivering water that met water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Rancho Del Conejo is in ADWR Tucson Active Management Area. Staff received a Compliance Status Report from ADWR for Rancho Del Conejo on July 27, 2012. In its report ADWR reported that Rancho Del Conejo is not compliant with departmental requirements governing water providers and/or community water systems due to (1) failure to file its Annual Report; and (2) failure to file its water system plan.

H. ACC COMPLIANCE

A check of the Commission's Compliance Section database dated November 2, 2012, indicated that Rancho Del Conejo had no ACC delinquent compliance items.

I. WATER TESTING EXPENSES

Rancho Del Conejo is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.
2. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an annualized basis.
3. MAP fees were calculated from the ADEQ MAP invoice for calendar year 2012.
4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.

Table 3 shows the estimated annual monitoring expense, based on participation in the MAP program.

Table 3 Water Testing Cost (Rancho Del Conejo)

Monitoring – 2 EPDSs (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$20	72	\$1,440	\$480
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP
Nitrites	\$25	MAP	MAP	MAP
Nitrates – annual	\$25	MAP	MAP	MAP
Arsenic - additional	23	24	552	\$184
Asbestos – per 9 years	\$180	2½	MAP	MAP
Lead & Copper – annual*	\$33	30	\$990	\$330
MAP fees (annual)				\$1,185.48
Total				\$2,178.48

Water testing expenses should be adjusted to the annual expense amount shown in Table 3 which totals \$2,179 (rounded).

J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Exhibit 6, and should be used to calculate the annual depreciation expense for the Company. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Exhibit 5.

K. OTHER ISSUES

I. *Service Line and Meter Installation Charges*

The Company does not propose to revise its meter and service line installation charges. These charges are refundable advances and the Company's existing charges are within Staff's experience of what are reasonable and customary charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff using the existing combined charge. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 4.

Table 4 Service Line and Meter Installation Charges (Rancho Del Conejo)

Meter Size	Current Meter & Service Line Installation Charges	Proposed total meter & Service Line installation Charge	Staff Recommendation (meter installation charge)	Staff Recommendation (Service Line installation charge)	Staff Recommended total charges
5/8 x 3/4-inch	\$440	\$440	\$85	\$355	\$440
3/4-inch	\$520	\$520	\$165	\$355	\$520
1-inch	\$610	\$610	\$205	\$405	\$610
1½-inch	\$855	\$855	\$415	\$440	\$855
2-inch	\$1,515	\$1,515	\$500	\$1,015	\$1,515
3-inch	\$2,195	\$2,195	\$775	\$1,420	\$2,195
4-inch	\$3,360	\$3,360	\$1,110	\$2,250	\$3,360
6-inch	\$6,115	\$6,115	\$1,670	\$4,445	\$6,115
Over 6-inch	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

II. Field Inspection Findings

a. Not Used And Useful Plant Items at Well No. 1

Well No. 1 has been disconnected from the water system for over a year. In addition to this well, an existing 6,000 gallon storage tank, 1,000 gallon pressure tank, control panel and booster pump station were not in use at the time of Staff's inspection. All expenses and capital improvement costs related to Well No. 1 after 2010 should not be considered used and useful to the Company's provision of service.

III. Curtailment Tariff

The Company has an approved Curtailment Tariff.

IV. Cross Connection or Backflow Prevention Tariff

The Company has an approved Cross Connection & Backflow Tariff.

VI. Best Management Practices ("BMPs") Tariff

Staff recommends that Rancho Del Conejo file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends selecting the BMPs tariff samples from the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

V. Funding Request to Replace Arsenic Treatment Plant Media

In its application, the Company requests additional funds of \$60,000 to replace arsenic treatment plant media. In an informal response to Staff's Data Request #1, the Company revised its estimated cost for media replacement to \$82,550. The Company in its amended request proposes to replace the existing As500 media with As600 media. Dow Chemical ("Dow") is no longer manufacturing its As500 media and the cost of the replacement As600 media is considerably higher. According to information provided by Dow, the As600 media has a stronger bonding effect than As500, therefore As600 should have longer life than the As500 media. Staff concludes that the Company's revised media replacement cost of \$82,550 is reasonable.

EXHIBIT 1

Rancho Del Conejo Community Water Co-op Certificate Service Area

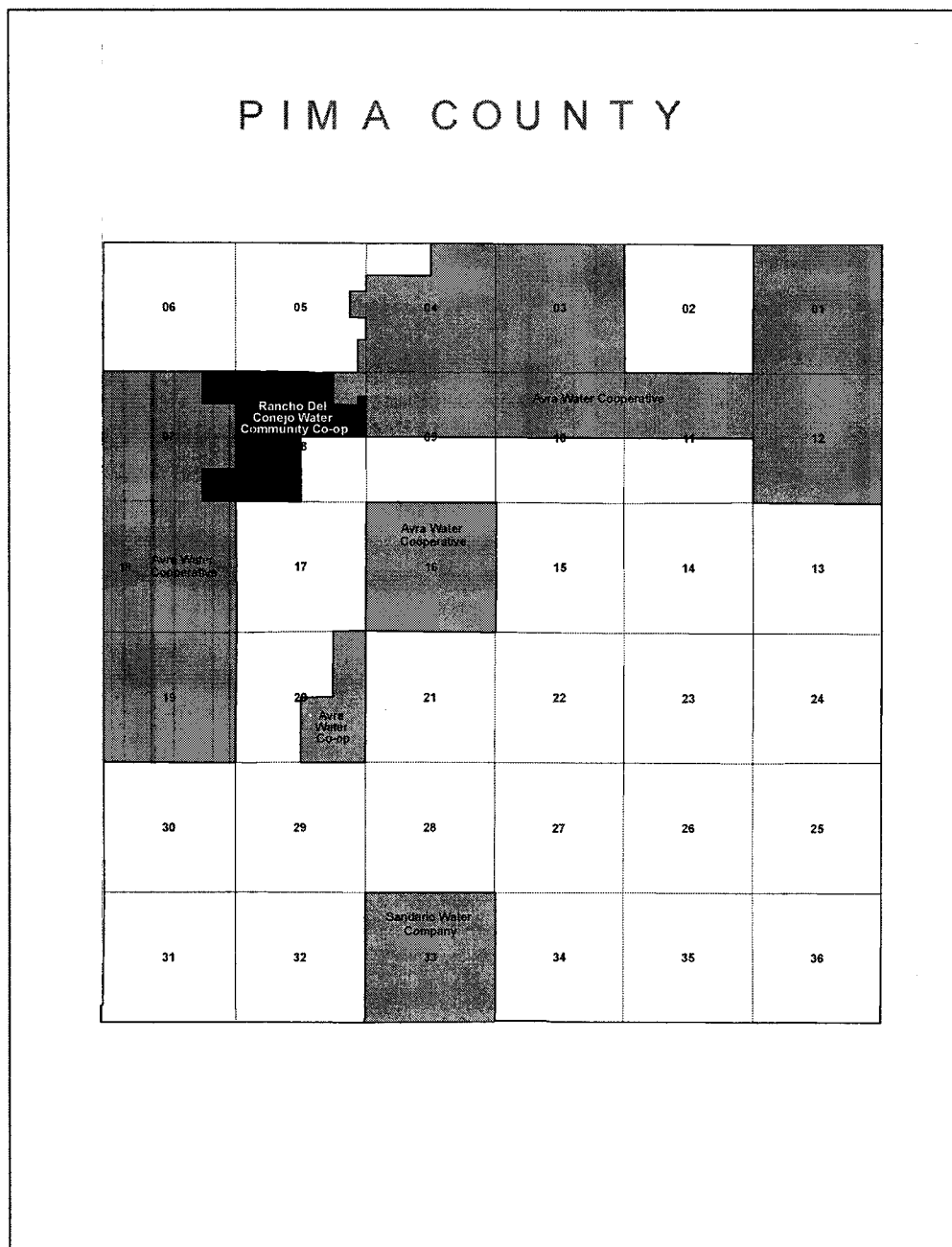


EXHIBIT 2.

LOCATION OF RANCHO DEL CONEJO COMMUNITY WATER CO-OP SERVICE AREA

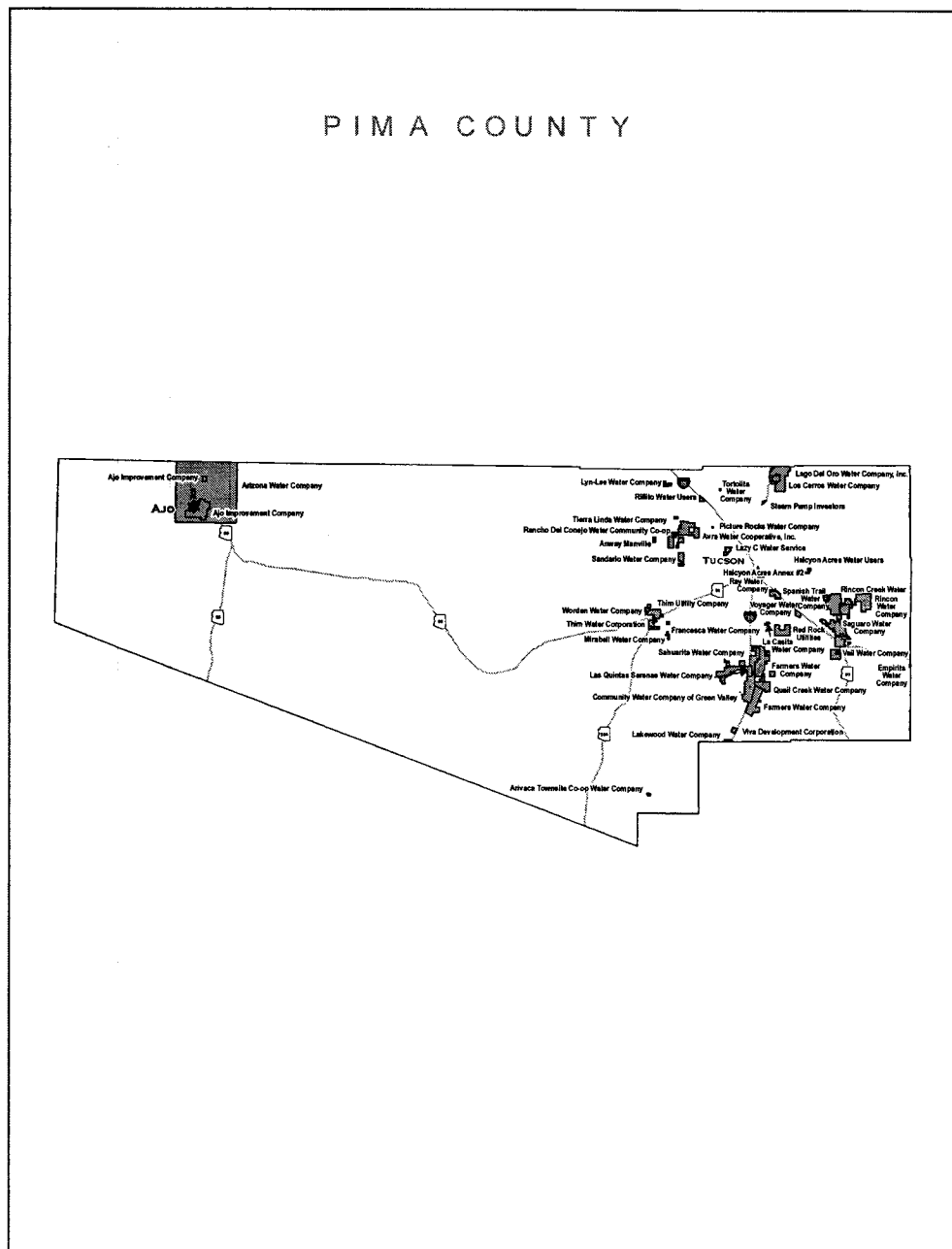


EXHIBIT 3

SYSTEMATIC DRAWING

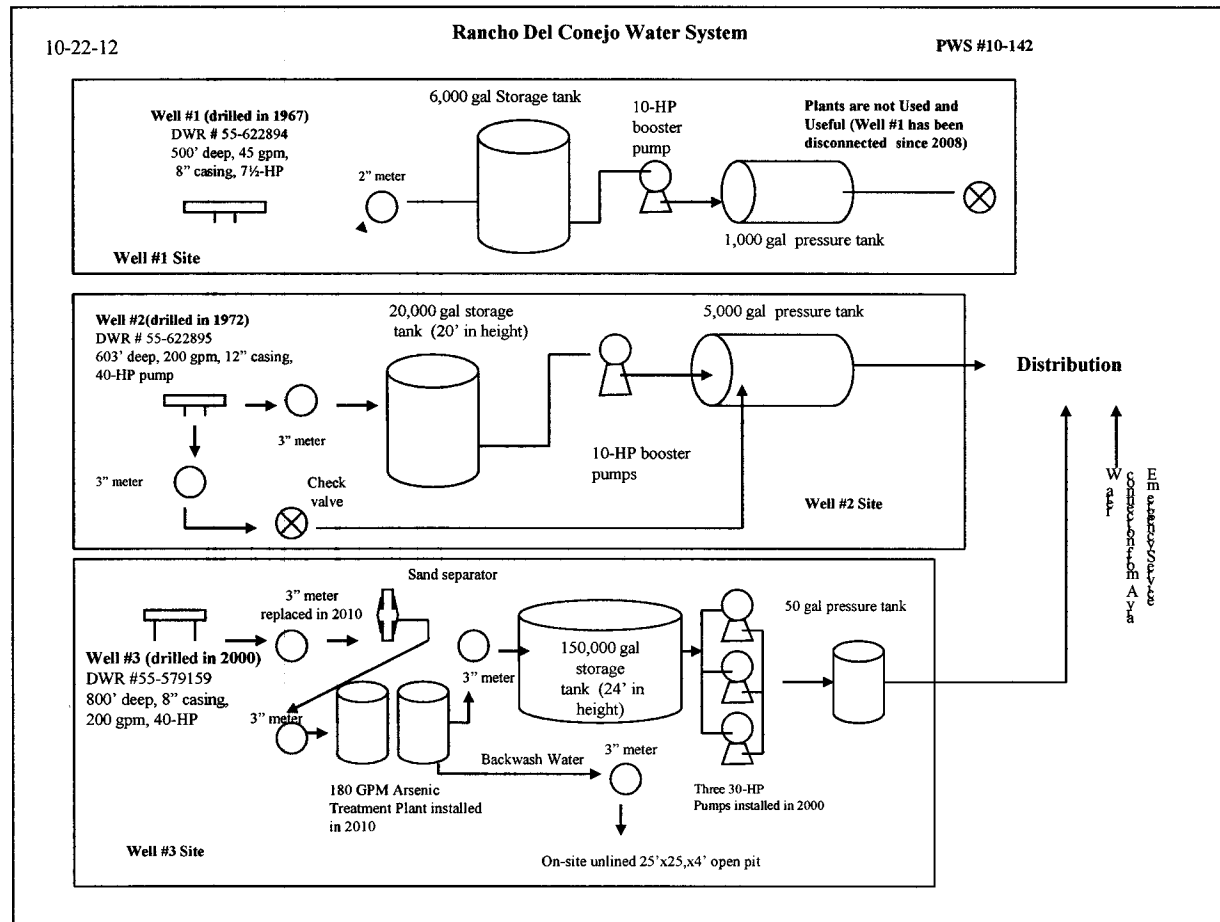


EXHIBIT 4

**WATER USAGE IN RANCHO DEL CONEJO COMMUNITY WATER CO-OP
SERVICE AREA**

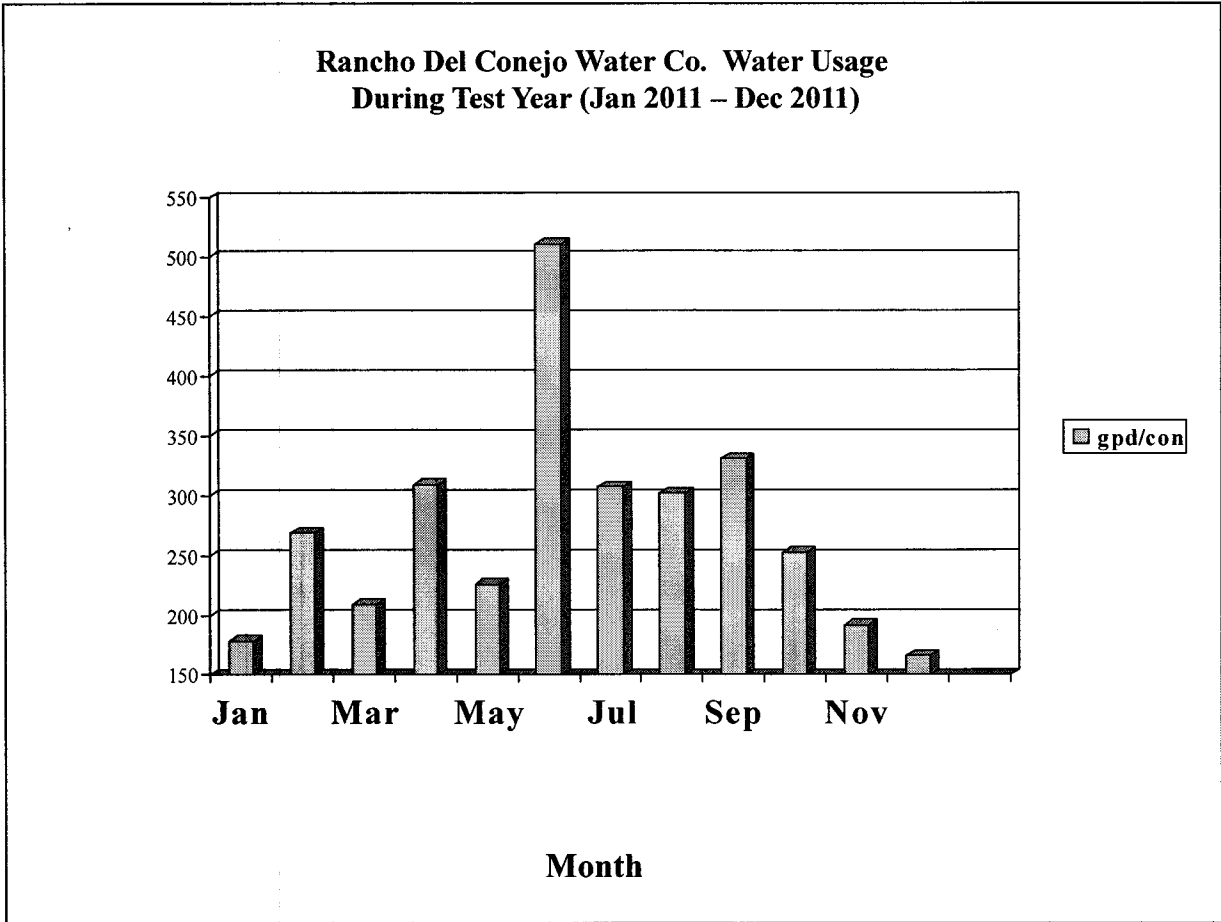


Exhibit 5
Depreciation Rates (Rancho Del Conejo Community Water Co-op)

Acct. No.	Depreciable Plant	Approved Rate (%) (Decision # 61610)	Proposed Rate (%)	Staff Recommen ded Rate (%)
301	Intangibles	5	0.00	0
303	Land & Land Rights	5	0.00	0
304	Structures & Improvements	5	3.33	3.33
305	Collecting & Impounding Reservoirs	5	N/A	2.50
306	Lake, River, Canal Intakes	5	N/A	2.50
307	Wells & Springs	5	3.33	3.33
308	Infiltration Galleries	5	N/A	6.67
309	Raw Water Supply Mains	5	N/A	2.00
310	Power Generation Equipment	5	N/A	5.00
311	Pumping Equipment	5	12.50	12.5
320	Water Treatment Equipment	5	20.00	
320.1	Water Treatment Plants	5	3.33	3.33
320.2	Solution Chemical Feeders	5	20.00	20.0
330	Distribution Reservoirs & Standpipes	5	2.22	
330.1	Storage Tanks	5	2.22	2.22
330.2	Pressure Tanks	5	5.00	5.00
331	Transmission & Distribution Mains	5	2.00	2.00
333	Services	5	3.33	3.33
334	Meters	5	8.33	8.33
335	Hydrants	5	2.00	2.00
336	Backflow Prevention Devices	5	N/A	6.67
339	Other Plant & Misc Equipment	5	6.67	6.67
340	Office Furniture & Equipment	5	6.67	6.67
340.1	Computers & Software	5	20.00	20.00
341	Transportation Equipment	5	20.00	20.00
342	Stores Equipment	5	N/A	4.00
343	Tools, Shop & Garage Equipment	5	5.00	5.00
344	Laboratory Equipment	5	N/A	10.00
345	Power Operated Equipment	5	N/A	5.00
346	Communication Equipment	5	5.00	10.00
347	Miscellaneous Equipment	5	N/A	10.00
348	Other Tangible Plant	5	5.00	----